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C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 001392

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SUBJECT: MFA STILL HAS RESERVATIONS ON CUSTOMS PROTOCOL;
WILL WEIGH IN ON BANK HAPOALIM THREAT TO SEVER TIES WITH
PALESTINIAN BANKS

REF: TEL AVIV 1368

Classified By: Ambassador Richard H. Jones, reasons 1.4 (b) and (d).

1. (C) Summary: During an April 5 meeting with the Ambassador, MFA Director General Ron Prosor said that the GOI recognizes it is essential of keeping Karni open and only close the crossing when there is a specific threat. The Ambassador said a customs protocol is in Israel,s interest because that is the only way to provide the EU-BAM the authority to combat smuggling at Rafah. Prosor promised to raise with FM Livni the possibility of dealing with GOI concerns about the agreement through a letter. Prosor said the MFA would weigh in on the issue of Bank Hapoalim,s threat to sever ties with Palestinian banks. Prosor asked for U.S. help in dealing with India, China, South Africa and Japan, which he claimed may soon break ranks with the international community and make contact with Hamas. End summary.

CROSSINGS AND SECURITY

2. (C) Discussing Karni, which is closed for a third (as of April 6) consecutive day due to a security threat, MFA Director General Ron Prosor stressed to the Ambassador on April 5 that the GOI closely monitors the crossing on a daily basis and keeps track of how many truckloads pass each day. Therefore, he claimed, the MFA has a handle on the situation and knows whether there is a humanitarian problem or not. He said the GOI recognizes that it is important that Karni stay open, so the crossing is only closed if there is a good reason. The Ambassador noted that USAID, in conjunction with the U.S. Security Coordinator, has developed a security plan for the Palestinian territories that should significantly improve the security situation at the crossings by making it much more difficult for terrorists to carry out an attack. The security plan was completed and shared with the Palestinian Authority (PA) before Hamas came to power. The Ambassador said Mahmud Abbas spoke of establishing a separate border service, which would not be under the PM. If that does happen, the Ambassador said, it would enable the U.S. to continue working with the Palestinians to enhance border security. USAID and MOD/IDF officials are discussing options. The Ambassador noted that the U.S. has \$50 million dollars for border security. Most of this will be used to purchase scanning equipment, but some can be used to put in place a tunnel detection system, which would cost only USD 12 million to cover the entire Gaza border.

CUSTOMS PROTOCOL

3. (C) The Ambassador said he is aware that the GOI has concerns about the customs protocol for the Agreement on Movement and Access (AMA), which was previously negotiated with the PA but never signed, including its references to the Paris Agreement, and the prospect of PA customs officials working under the supervision of GOI counterparts. Nevertheless, after looking at the agreement, the U.S. believes that it is best to move forward with the current document. In response to a question from Prosor, he pointed out that it would not be possible to renegotiate the document, because those on the PA side of the table would be officials under a Hamas ministry. It did not make sense to remove all mention of the Paris Agreement, since its duty schedules are incorporated wholesale by reference in the Customs Protocol. The references to "supervision8 in the customs protocol would still apply if the PA officials work only on their side of the crossing. The Ambassador said that these and any other concerns could be addressed by a letter that notes that implementation of the agreement would be in accordance with Israeli law. He stressed that it was in the GOI's best interest to have a customs agreement. The Ambassador noted GOI complaints about contraband crossing the border. EU-BAM Head of Mission General Pistolese would only have the authority to stop contraband entering Rafah, which he claims is exclusively cigarettes and alcohol, if there is a document that so empowers him. The Ambassador added that the Palestinians have said that they are only willing to have

their side of the border at Kerem Shalom open for 30 days without a customs agreement.

14. (C) Prosor said the chief Israeli concern is that Hamas is the PA government and there is no way to get around that fact. By accepting the customs agreement, he asserted, the GOI would give Hamas an agreed framework without Hamas having agreed to anything. Prosor promised, however, to raise with FM Tzipi Livni the possibility of addressing Israeli concerns through a letter. In answer to Prosor's question about Egyptian reaction, the Ambassador said the Egyptians likely would be supportive, suggesting that the U.S. could speak to the Egyptians about the customs protocol as well as the tunnel detection system if requested to do so.

CONTACTS WITH HAMAS

15. (C) Prosor asked for U.S. help in dealing with several countries that appear ready to break with the international community and meet with Hamas. He mentioned specifically, India, which he said is planning to send a special envoy, South Africa, China, and possibly Japan, which, unlike the others, is a major donor. The Ambassador reiterated the U.S. position on no contact with Hamas, noting that we had made two worldwide demarches on the subject. He said this problem illustrates the continuing value of dealing with Mahmud Abbas, who can talk to countries that might be wavering and has credibility with the Palestinian people.

SEVERING TIES WITH PALESTINIAN BANKS

16. (C) The Ambassador raised reports (TEL AVIV 1368) that Bank Hapoalim and Israel Discount Bank planned to stop working with Palestinian banks, fearing they would be accused of involvement in terror finance and/or money laundering under Israeli and U. S. laws. He argued that it is important to keep legal means for transfers open in order to avoid a humanitarian crisis and because a cut-off would result in a mushrooming of illegal ways around the problem, which would only benefit Hamas. Prosor understood the importance immediately and said that the MFA would weigh in on the issue.

MAGEN DAVID ADOM

17. (C) The Ambassador mentioned that he had met the day before with representatives of the Red Cross/Red Crescent Movement. They are hoping for the accession of Magen David Adom at the June conference. The Ambassador said, however, that the Red Cross believes key elements of the MDA-Palestinian Red Crescent Society (PRCS) MOU must be implemented before the conference, including fast access through IDF checkpoints for PRCS ambulances, allowing PRCS ambulances to be stationed in East Jerusalem, and the minister of health signing the necessary forms to make MDA autonomous. The Red Cross had cautioned that waiting until the last minute would be detrimental because many governments will decide on their positions long before the conference. Prosor said that he did not know how soon the Minister of Health would sign the forms but agreed to follow up.

DAUGHTERS OF CHARITY HOSPICE

18. (C) The Ambassador brought up the case of the Daughters of Charity Hospice in Jerusalem, noting that a construction company, which is owned by the GOI, is apparently reneging on a signed agreement with the religious order to provide an access road as well as open space and height restrictions so that sunlight is not blocked. Prosor promised to look into the matter.

TRAVEL WARNING ON ISRAEL

19. (C) Prosor raised GOI concerns about the recent travel warning on Israel that mentioned violent crime. The Ambassador responded that embassy personnel had witnessed one of the incidents mentioned and under the no double standard policy this information must also be shared with American citizens.

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JONES